

Economic Review Meeting

March 7, 2013



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

ECONOMIC REVIEW MEETING

March 7, 2013
12:00 p.m.

- Approval of meeting minutes:
 - November 14, 2012 revenue review meeting minutes
 - January 31, 2013 budget outlook adoption
- Presentation of economic outlook and revenue collection experience

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes Revenue Review

November 14, 2012

John L. O'Brien, Hearing Room A

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives, Chair
Dino Rossi, Senate
Ross Hunter, House of Representatives
Brad Flaherty, Department of Revenue
Stan Marshburn, Office of Financial Management
Treasurer Jim McIntire (via phone)

Staff

Steve Lerch, Executive Director, ERFC
Bryon Moore, Senate Ways and Means Committee
Dave Johnson, House Ways and Means Committee
Candace Espeseth, Office of Financial Management

Call to Order

The meeting was called to order by Representative Orcutt at 1:00 pm.

Motion

Representative Hunter made a motion to approve the meeting minutes from the November 1, 2012 meeting, seconded by Representative Orcutt. Council approved the motion at 1:01 pm.

Presentation on Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding export data and whether software is included. Dr. Lerch discussed the availability of export data on services.

Motion

Director Marshburn moved to adopt the baseline revenue forecast, seconded by Representative Orcutt. Motion passed unanimously at 1:20 p.m.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group present the November 2012 outlook for the enacted 2012 supplemental according to SSB 6636.

Motion

Director Marshburn moved to adopt the budget outlook as presented, seconded by Representative Hunter. Motion passed with one dissent from Representative Orcutt at 1:31 p.m.

Other Business

Representative Orcutt thanks members of the Council for their service. Representative Hunter is announced as the 2013-2014 Chair of the Economic and Revenue Forecast Council. As the Chair rotates between caucuses and chambers, the next chair will be a Senate Republican.

Adjournment

Meeting adjourned at 1:33 pm.



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Meeting Minutes Budget Outlook Assumptions

January 31, 2013

J.L. O'Brien, Hearing Room E

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Andy Hill, Senate
Jim Hargrove, Senate
Treasurer Jim McIntire
Brad Flaherty, Department of Revenue
David Schumacher, Office of Financial
Management

Staff

Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

Candace Espeseth
Pam Davidson
Bryon Moore
Dave Johnson

Call to Order

The meeting was called to order by Representative Hunter at 12:04 p.m.

Other Business

Representative Hunter welcomes new members David Schumacher, Senator Jim Hargrove, Representative Terry Nealey (not present) and Senator Andy Hill. Continuing to serve on the board are Representative Hunter, Director Flaherty, and Treasurer McIntire.

Presentation on Budget Outlook

Candace Espeseth presented information on the budget outlook. Information provided includes resources, expenditures, policy issues, projected ending balance and Budget Stabilization Account Balance.

Discussion ensued between ERFC members regarding the purpose of the budget outlook process.

The next budget outlook will be required 30 days from an enacted budget from the legislature.

Motion

Director Flaherty moved and Representative Hunter seconded to adopt minutes from the January 22, 2013 Budget Outlook Assumptions Meeting. Council approved the motion at 12:19 p.m.

Motion

Senator Hill moved, seconded by Representative Hunter to adopt the budget outlooks as proposed by the Budget Outlook Work Group. Council approved the motion at 12:27 p.m.

Adjournment

Meeting adjourned at 12:34 p.m.

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**Economic & Revenue Forecast Council
State of Washington**



Economic Review: March 7, 2013

Executive Summary

- U.S. economic activity in the fourth quarter of 2012 was weaker than anticipated in November, with GDP estimated to be decreasing by 0.1% (seasonally adjusted annual rate) at the time of the preliminary forecast. Although fourth quarter GDP growth has since been revised up to a +0.1% rate, we continue to see slow growth and a weak labor market.
- Since the November forecast was adopted, the “fiscal cliff” was largely avoided or postponed by legislation passed in January. However, there was significant fiscal tightening as the payroll tax cut expired and some personal income taxes were raised. The payroll tax cut is expected to reduce GDP growth this year by 0.4 percentage points while total fiscal tightening initiated in 2013 is expected to subtract 0.7 percentage points from GDP growth.
- As in November, factors outside the state account for the high downside risk. Major threats to the U.S. and Washington economies remain the sovereign debt crisis in Europe, slowing Asian economies (especially China), and the uncertainty surrounding U.S. tax and budget policy.
- Europe is experiencing weak economic activity and high unemployment rates. The Eurozone as a whole saw 2012 GDP decrease by 0.4%; GDP is expected to decrease by 0.1% in 2013. Weakness in Eurozone economies means reduced demand for U.S exports as well as continued difficulties in addressing their sovereign debt crisis. If the European debt crisis leads to a European banking crisis, this would negatively affect the U.S. financial sector and the broader U.S. economy as well.
- Weak economies in Europe and the U.S. have contributed to a slowdown in Asia as well. However, recent data suggest an improving economic picture in China, with GDP growth expected to be slightly higher this year than in 2012. Our forecast assumes China will experience a soft landing, but if this is not managed properly and the Chinese economy experiences a hard landing, it could create another global recession.
- In addition to the fiscal tightening related to the “fiscal cliff” deal, across-the-board budget cuts (“sequester”) went into effect on March 1st. If these budget cuts are not rescinded by Congressional action, they could reduce federal government spending by \$53 billion between March and September of this year. The preliminary forecast assumes that the sequester will remain in effect for two months, to be replaced by a package of budget cuts and tax increases amounting to \$9 billion in fiscal tightening through September.
- Data from the housing market continue to be positive. Existing homes sales in January were up 0.4% (SAAR) from the December level and were 9.1% (SAAR) above the year-ago sales rate. January new home sales increased by 15.6% above December sales (SAAR) and 28.9% above the year-ago level.

The seasonally adjusted Case-Shiller 20-city home price index has now increased for eleven consecutive months through December 2012. The index is now 6.9% above the year-ago level (SA), marking seven straight months of year-over-year growth in house prices. Seasonally adjusted housing starts in January were 8.5% below their December level but 23.6% above the January 2012 level. January housing permits were 1.8% (SAAR) above December and 35.2% above their year-ago level.

- Job growth has been slow in this recovery. Revised data indicated November job growth of 247,000, but this slowed to 196,000 in December and to 157,000 in January. The January unemployment rate is 7.9% (SA). February employment data will be reported on March 8th and will be incorporated into the final economic forecast.
- Industrial production declined 0.1% (SA) in January, following a 0.4% (SA) increase in December. The Institute for Supply Management's Purchasing Managers Index for manufacturing increased 1.1 points to 54.2 in February, indicating expansion in the manufacturing sector for the third straight month. Readings above 50 indicate growth. The non-manufacturing index increased by 1.0 points in February to 56.0 and has remained above 50 for 38 straight months. Core capital goods orders (i.e. durables excluding aircraft and military) which are a proxy for business investment, increased 6.3% (SA) in January, after decreasing 0.3% (SA) in December and increasing 3.3% (SA) in November.
- Consumers appear to have recovered from the uncertainty regarding the fiscal cliff and higher payroll taxes. The Conference Board index of consumer confidence increased by 11.2 points to 69.6 in February after having dropped in January. The University of Michigan consumer sentiment survey for February increased by 3.8 points to 77.6, explained primarily by a more positive view of the employment situation.
- February light motor vehicle (LMV) sales were 15.3 million units (SAAR), essentially unchanged from January sales. Vehicle sales have remained above 15 million units for four consecutive months. Sales incentives, improving credit availability, and the need to replace aging vehicles appear to outweigh the impacts of the payroll tax increase or other consumer concerns.
- Real GDP growth in 2012 is estimated to be 2.2%, essentially unchanged from the November forecast. The February Blue Chip Consensus real GDP growth forecasts, our objective starting point each forecast cycle, is now at 1.9% for 2013 compared to 2.0% in our November forecast. The final economic forecast will incorporate the March Blue Chip forecast for GDP growth.

Washington

- In the three months since the November forecast was adopted, the Washington economy added 16,900 jobs, 3,800 better than the 13,000 expected in the November forecast. Historical revisions, however, lowered the level of total employment by 8,400. As a result of the downward revisions to history and slightly stronger than expected growth, the net effect is 4,600 (0.2%) fewer jobs in January 2013 than expected in the November forecast.

As expected in the November forecast, manufacturing employment growth remains strong, adding 2,900 jobs in the last three months (the forecast expected only 1,000 jobs). Construction employment growth has now turned positive. The construction sector added 3,000 jobs in November, December, and January (the forecast was for an increase of 1,100). Government employment, however, remained weak with a loss of 400 jobs during the last three months.

- Our forecast for Washington employment is very similar to the forecast adopted in November. As in November, we expect flat aerospace employment in the first half of this year with a gradual decline beginning in mid-2013. On the other hand, construction employment growth is expected to accelerate over the next three years, tapering off in 2016 and 2017. While we believe we are at or near the trough in state and local government employment, we expect federal government employment to continue to shrink throughout the forecast.
- Overall, our preliminary March forecast of Washington employment growth is slightly weaker in 2013 and 2014 and slightly stronger in 2016 and 2017 than the forecast adopted in November due to similar changes in the national forecast. Over the entire period from 2013 through 2017, the new Washington employment growth forecast averages 1.9% per year, the same rate as in the November forecast.
- The “fiscal cliff” deal is expected to have an impact on Washington personal income that is similar to its impact on U.S. personal income. The higher taxes beginning in January will lower Washington disposable personal income in 2013 by an estimated \$3.469 billion. Also, the expectation of higher taxes in 2013 caused an estimated \$720 million in dividend and wage income to be shifted into the fourth quarter of 2012 to take advantage of the lower tax rates in 2012. These are the main reasons the forecast for disposable personal income growth in 2013 was revised down from 3.4% expected in the November forecast to 1.7% in the current forecast. Without these tax-related impacts, the forecast revision would have been much smaller, from 3.4% to 3.2%.
- Our new forecast for personal income growth averages 4.7% per year in 2013 through 2017 compared to 4.9% per year in the November forecast. The main difference in personal income growth is in 2013 which has been revised down to 2.6% growth from the 4.1% growth expected in the November forecast. The main reason for the slower growth in 2013 is the expiration at the beginning of the year of the payroll tax cut which was not anticipated in November.
- The Washington housing recovery continues to exceed our expectations. Total housing units authorized by building permits averaged 31,000 (SAAR) in the fourth quarter, up from 28,000 in the third quarter. The forecast had expected 28,300 units. The forecast variance was mostly in the single-family segment where permits averaged 19,500 units in the fourth quarter compared to our November forecast of 17,200 units. This was the strongest quarter for single-family housing since the first quarter of 2008. Multi-family permits came in at 11,500 units, slightly better than our forecast of 11,100 units. As a result of the recent strength in housing, we have raised our

housing forecast for 2013 through 2017. Subsequent to the preliminary forecast, January's permits came in at a strong 36,700 annual rate comprised of 19,000 single-family units and 17,600 multi-family units.

- The recovery in home prices gained momentum in the last few months of 2012 according to the S&P/Case-Shiller Home Price Indices. Seasonally adjusted Seattle area home prices increased a strong 1.0% (not annualized) in December 2012, following a 1.4% increase in November and a 0.5% increase in October. Seattle home prices have risen in 9 of the last 10 months and are up 8.2% over the previous December. Nationally, the composite-20 December home price index was up 6.9% over the year.
- Washington new car sales soared in early 2013. New vehicle registrations in Washington jumped from 248,000 (SAAR) in December to 274,200 in January before easing to 267,600 in February. Washington car sales have now recovered nearly all the ground lost during the recession. The average rate so far in 2013 is 63% over the average in 2009 and only 6.6% lower than sales in 2006 which was the pre-recession peak. Consumers put off replacing vehicles during the recession and pent-up demand is likely driving the rebound in vehicle sales.
- Export growth weakened but remained positive in 2012. Total Washington exports rose 16.6% from the fourth quarter of 2011 to the fourth quarter of 2012, down slightly from the 21.4% growth during previous 4 quarters. The continued strong growth in exports was mostly due to acceleration in exports of transportation equipment (mostly aircraft) from a 17.4% growth rate in 2011 to 36.0% in 2012. Outside of transportation equipment, exports struggled to maintain positive growth, slowing from 24.6% in 2011 to just 1.7% in 2012.
- The manufacturing sector weakened in February but continues to indicate growth according to Western Washington's purchasing managers. The Western Washington Institute of Supply Management composite index declined to 56.3 in February from 60.2 in December (above 50 indicates positive growth). The last time the Western Washington index was below 50 was in July 2009.
- Inflation in the Seattle metropolitan area has cooled substantially in the last six months. As of December 2012, the all items Seattle CPI was up just 1.4% over the previous December, down from 2.7% inflation in June. Seattle core inflation in December 2012 was 1.6%, down from 3.0% just six months earlier. The main reason for the reduction in inflation was shelter costs which rose 3.9% YOY in June but only 2.1% in December. On an annual average basis, Seattle inflation slowed to 2.5% in 2012 from 2.7% in 2011.

Downside Risks:

- A European banking crisis that affects the U.S. financial sector.
- Congress fails to pass a continuing budget resolution, shutting down the federal government on March 27th.
- A hard landing in China.

- Turmoil in oil-producing countries or oil transit routes.
- Unanticipated events – natural disasters, political upheaval, etc.

Upside Risks:

- The housing sector improves faster than anticipated.
- Underlying pent-up demand continues to drive the recovery.
- Hiring picks up, and triggers a virtuous cycle.
- European governments are able to build a firewall around their banks, so the sovereign debt crisis does not turn into a banking crisis.
- Political gridlock in the nation's capital eases.

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Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

March 7, 2013
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- The economy is slightly weaker than expected in the November forecast
- Risks to the baseline remain high
- Factors outside the state are mostly responsible for this uncertainty
- Revenues since the November forecast are \$84 million (2.0%) above expectations , but \$47 million of the surplus was from an end-of-year rush in real estate transactions
- The Washington economy continues to grow slowly, with employment rising in most sectors except government



The state's risk matrix shows most risks from outside state



Washington's Economy

EUROPE
Sovereign
Debt



EUROPE
Banks



U.S.
Banks

European
Recession



Asia
Slowdown



U.S.
Trade

• Federal tax &
budget issues

• Middle East unrest &
oil prices

State of Washington

Pluses

- Aerospace
- Software
- Housing &
construction
- Exports?

Minuses

- State &
Local Govt.

Source: ERFC

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March 7, 2012
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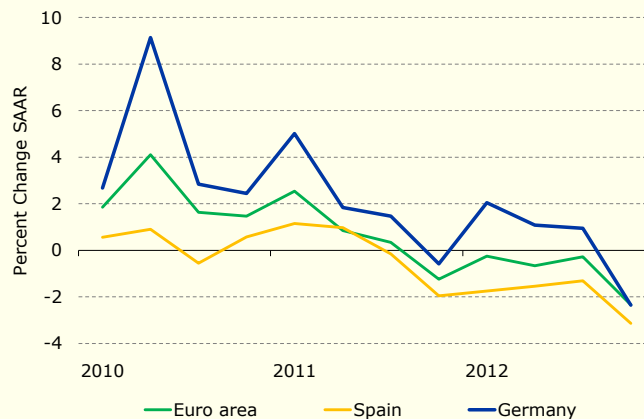
Euro area GDP growth is negative

Eurozone
Forecast:

2013: -0.1%

2014: 0.8%

Quarterly GDP Growth



Sources: Eurostat; data through 2012Q4; Blue Chip Economic Indicators February 2013

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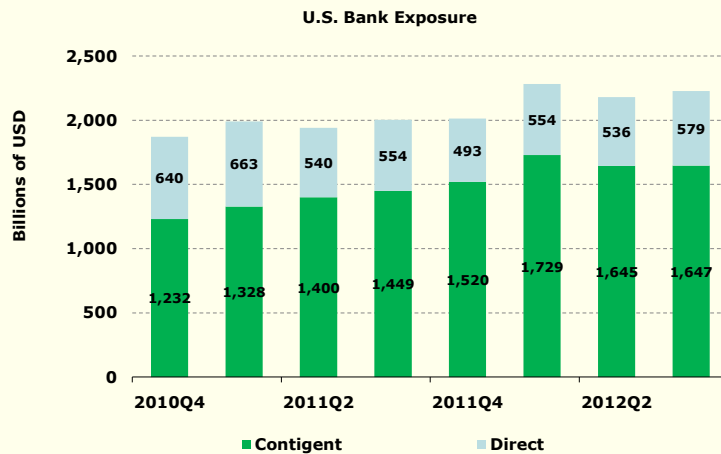


U.S. banks continue to have significant exposure to European banks

Contingent liabilities continue to increase

Total value at risk remains close to \$2 trillion

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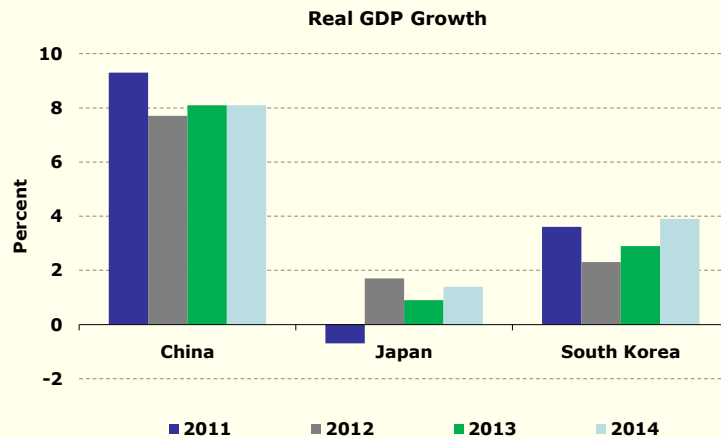


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Asian economic growth is slowing

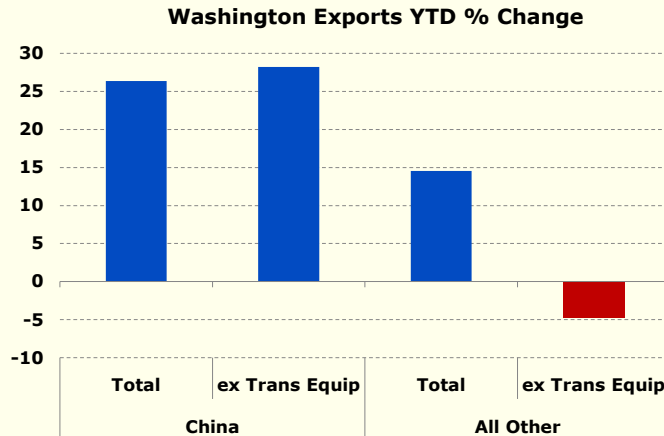
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Excluding aerospace, exports outside of China are declining



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Source: Wiser Trade Data; data through 2012 Q4

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Fiscal Cliff

November forecast assumption for 2013

- \$66 B in tax increases and budget cuts

Actual fiscal cliff deal for 2013

- \$148 B in tax increases and budget cuts

Difference

- Equal to 0.5% of GDP

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Sequester (across-the-board federal budget cuts)

November forecast assumption for 2013

- Sequester postponed until 2014

Actual fiscal cliff deal for 2013

- Sequester postponed two months

Difference

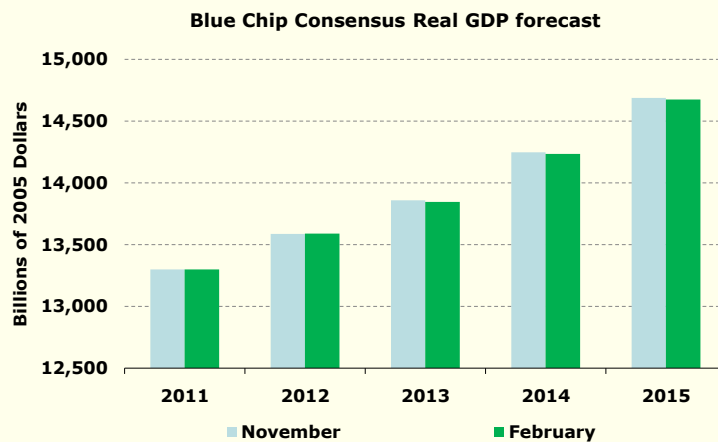
- *Potential* additional \$53 B in budget cuts
- Equal to 0.3% of GDP

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U.S. GDP Forecast Slightly Lower



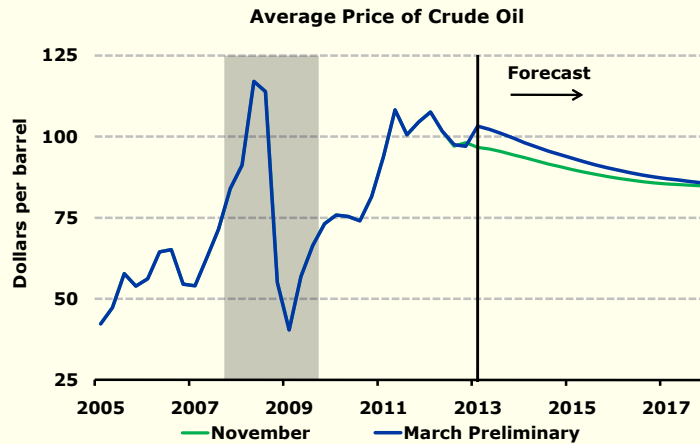
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Source: BEA, Blue Chip Economic Indicators February 2013; historical data through 2012

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Oil prices: higher than in November but expected to decline



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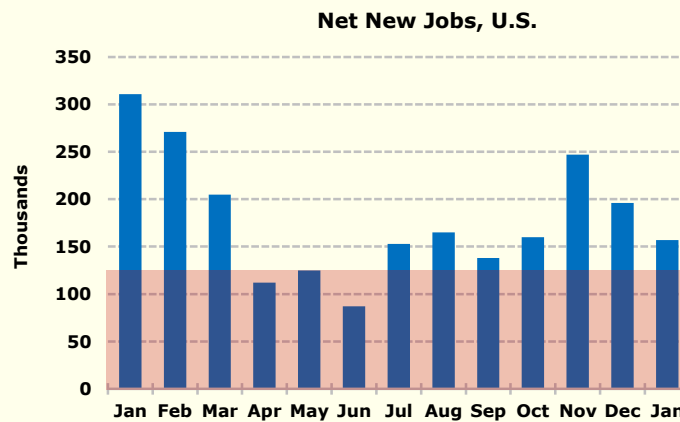
Source: DOE, ERFC March 2013 preliminary forecast; historical data through 2013Q1

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Job growth remains modest

The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force



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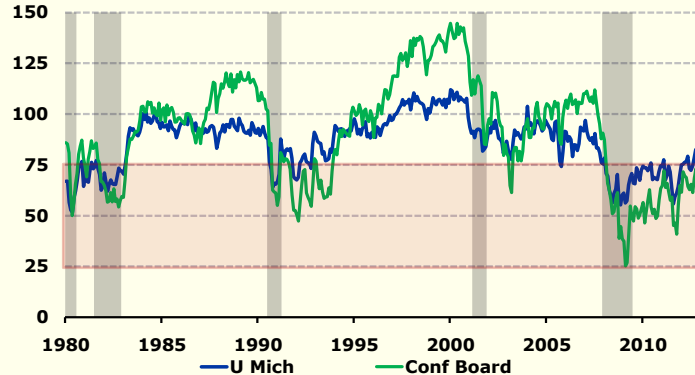
Source: Bureau of Labor Statistics, data through January 2013

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Consumer confidence dipped at the end of the year

Index
Mich: 1966Q1 = 100, SA
Conf Board: 1985 = 100, SA



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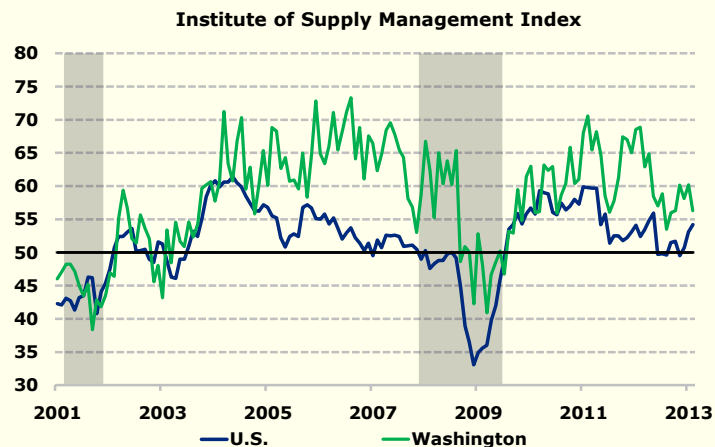
Source: University of Michigan; Conference Board, data through February 2013

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Manufacturing remains weak nationally

An index greater than 50, implies growth



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Source: Institute of Supply Management; data through February 2013

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Stock market has recovered from recession losses



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Source: Yahoo! Finance; data through March 4, 2013

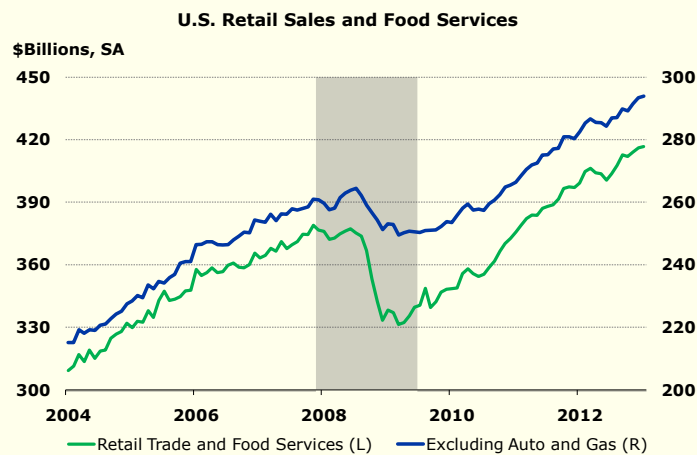
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U.S. retail sales growth slowed in January, likely due to payroll tax hike

Preliminary U.S. retail trade and food services sales up 4.8% year-over-year in December and 4.4% in January.

Excluding autos and gas, sales were up 4.7% year-over-year in December and 4.0% in January.



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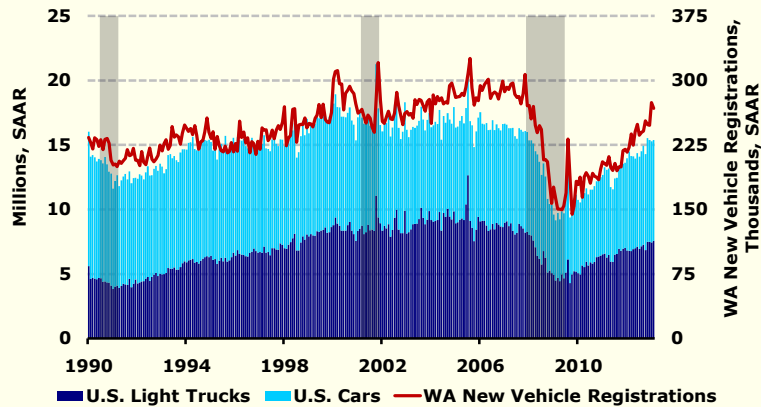
Source: U.S. Department of Commerce, Census Bureau; Data through January 2013 advance

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Vehicle sales continue their upward trend

U.S. LMV sales in February were up 6% year-over-year.



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Source: Autodata Corporation, WA DOL; data through February 2013

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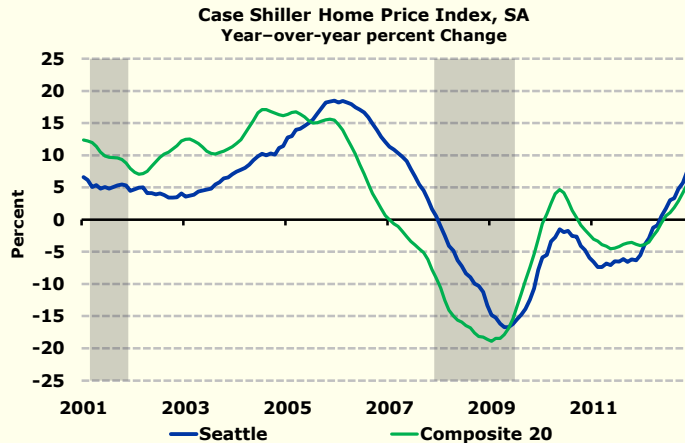


Single-family home prices continue to increase

Dec 2012

U.S. is up 6.9%

Seattle is up 8.2%



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Source: S&P/Case-Shiller; data through December 2012

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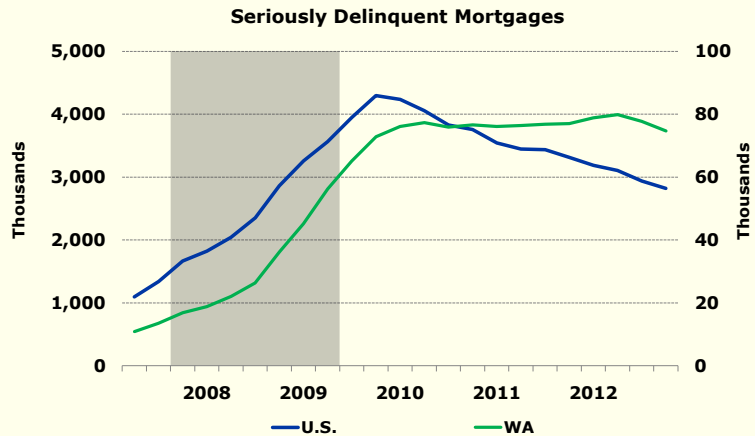


Seriously delinquent mortgages declining more slowly in WA

Seriously delinquent mortgages, 2012Q4:

WA = 6.6%
U.S. = 6.8%

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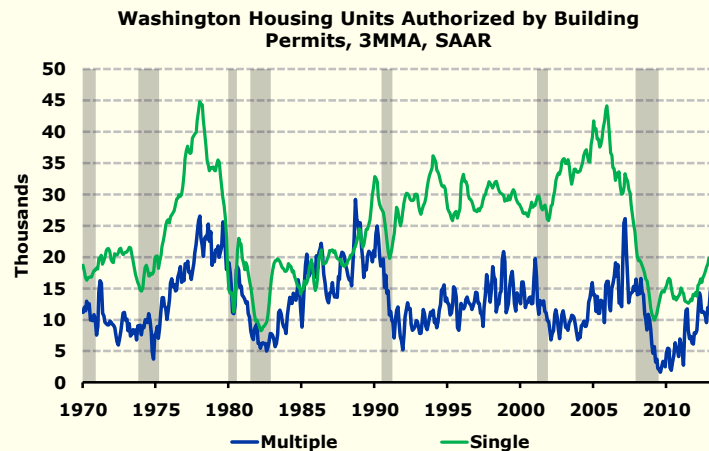
Source: Mortgage Bankers Association; data through 2012 Q4

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Washington building permits are increasing

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Source: U.S. Census Bureau; data through January 2013

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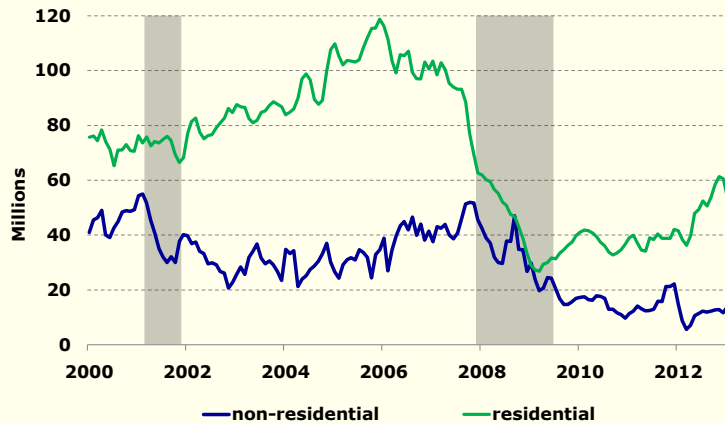
Contract data signal a leveling off of non-residential construction

Residential square footage is up 28%, and value up 22% Y-O-Y (3mma).

Non-Residential square footage is down 5%, and value is down 47% Y-O-Y (3mma).

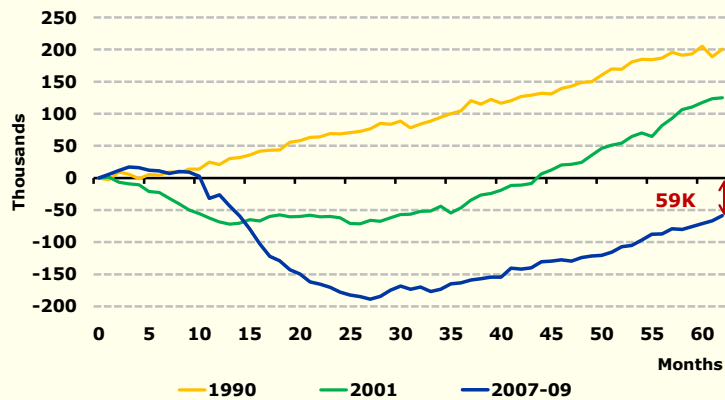
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Square Footage of Construction Contracts, SAAR, 3MMA



After 5 years, Washington employment has still not recovered

Washington Employment after Business Cycle Peak



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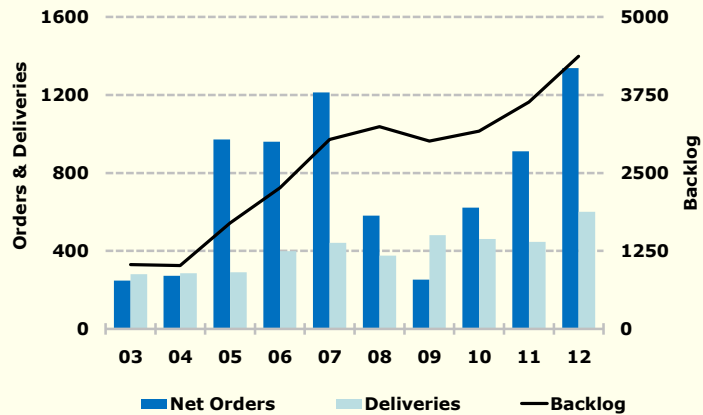


Boeing has 7 years of commercial orders on its books

The 787 accounts for 18% of the backlog

Excludes the military's new refueling tanker

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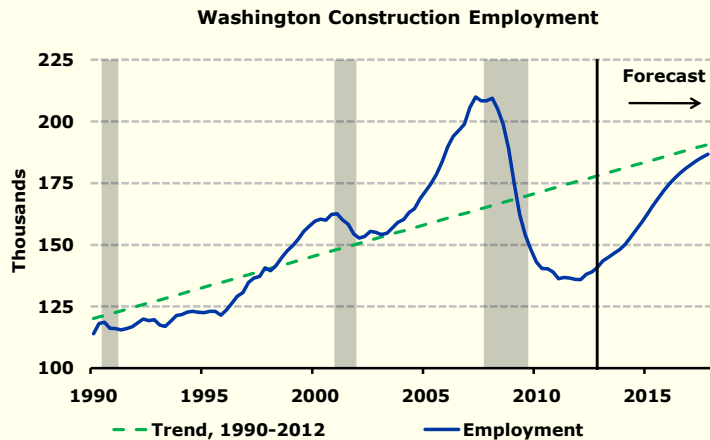
Source: Boeing, data through December 2012

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Washington construction employment will remain below trend throughout the forecast

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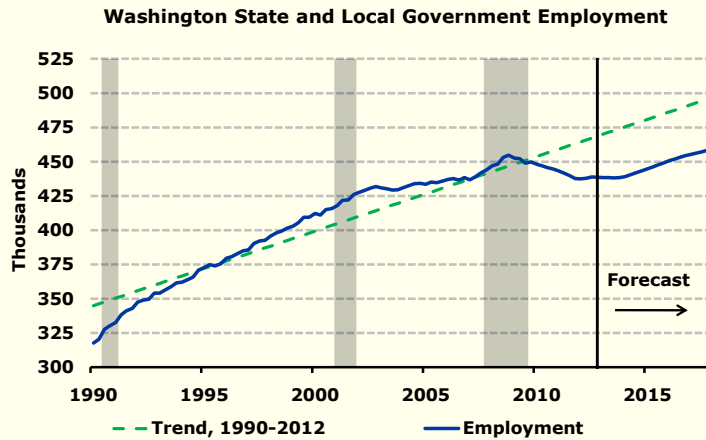


Source: ERFC March 2013 Preliminary forecast; historical data through 2012Q4

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State and local government employment will remain weak



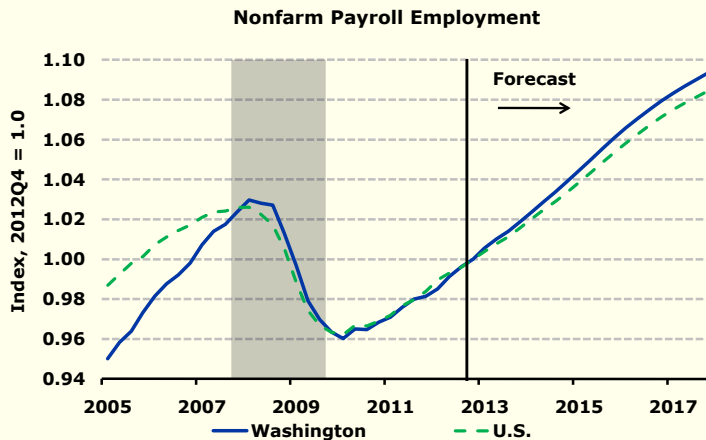
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Source: ERFC March 2013 Preliminary forecast; historical data through 2012Q4

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WA employment will recover slightly faster than the U.S.



Date of
regaining
peak:

WA:
2014Q3
U.S.:
2014Q3

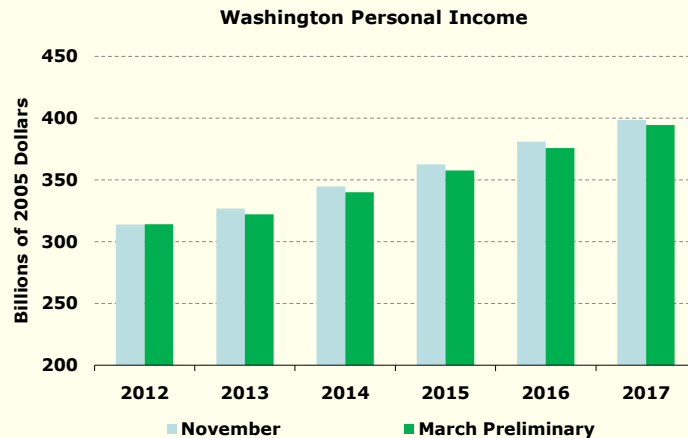
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Source: ERFC March 2013 Preliminary forecast; historical data through 2012Q4

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Washington Personal Income Forecast is Slightly Lower



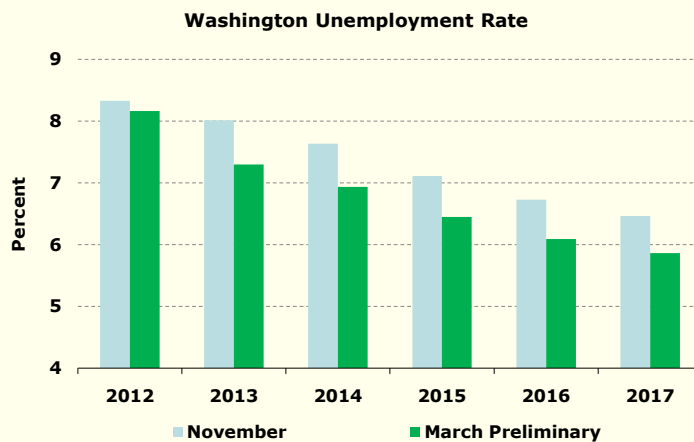
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Source: ERFC March 2013 Preliminary forecast; historical data through 2012

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Washington Unemployment Rate Forecast is Lower



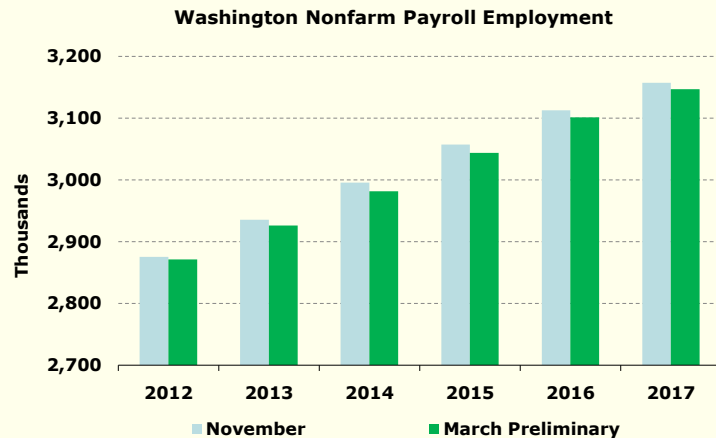
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Source: ERFC March 2013 Preliminary forecast; historical data through 2012

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Washington Payroll Employment Forecast is Slightly Lower



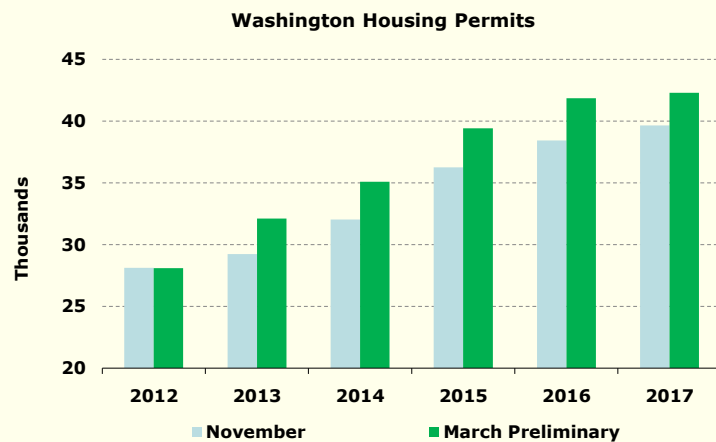
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Source: ERFC March 2013 Preliminary forecast; historical data through 2012

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Washington Housing Permits Forecast is Higher



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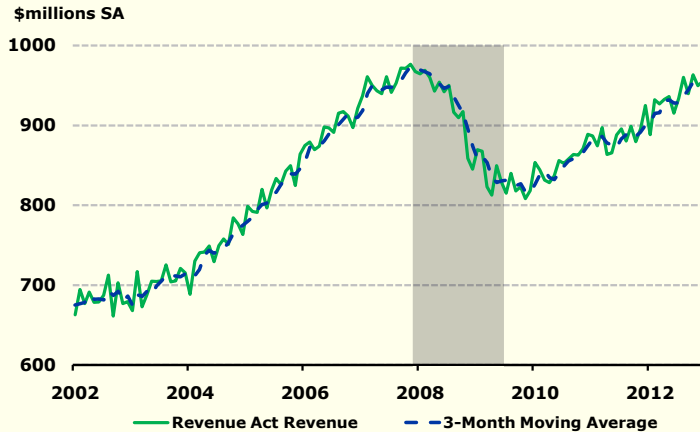
Source: ERFC March 2013 Preliminary forecast; historical data through 2012

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue Act collections are still on an upward trend

Collections were up 5.0% year-over-year for fourth quarter 2012 activity (November 11, 2012–February 10, 2013 collections)



* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through estimated December 2012 activity

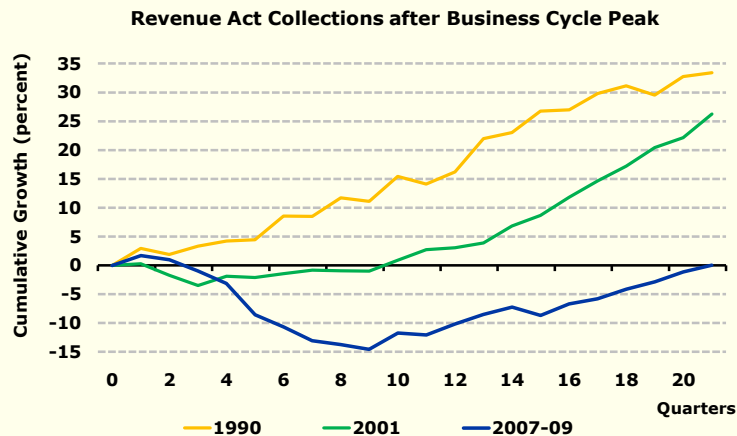
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Revenue collections have been weak compared to past recoveries

While Revenue Act collections are back to their levels at the time of the US business cycle peak (Q4 2007), they have not yet reached their peak level reached in Q1 2008



Source: ERFC; data through 2012 Q4

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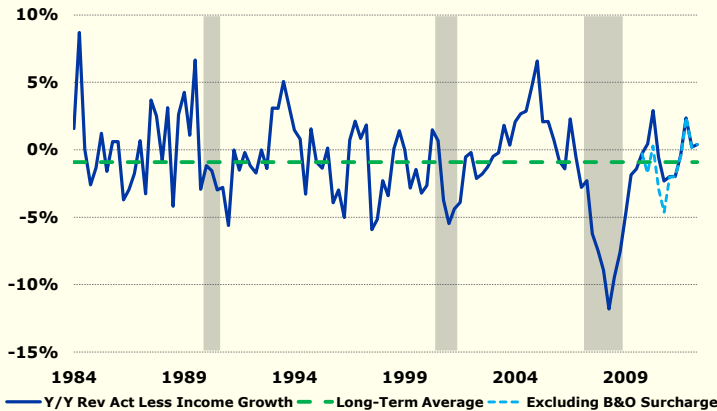
Revenue Act has been growing faster than income for the last three quarters

Revenue act receipts (adjusted for large payments and amnesty payments) grew at 5.0% year-over-year in the 4th quarter of 2012.

In November, income was forecasted to grow at 4.7% year-over-year in the 4th quarter, but growth will almost certainly be higher due to late 2012 special dividends ahead of the 2013 tax increase

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Year-Over Year Rev Act* Growth Less State Personal Income Growth



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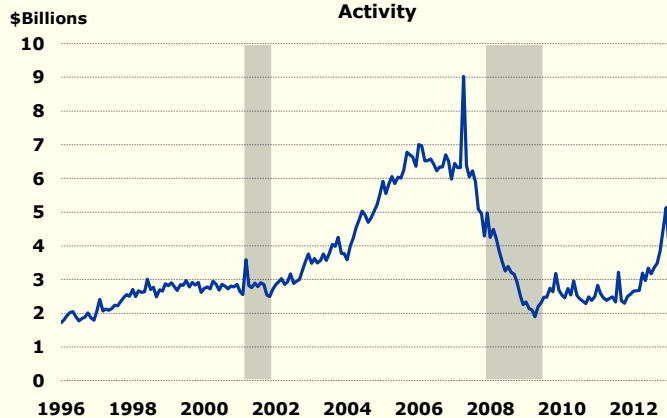
REET activity returning to prior trend after end-of-year rush

2012 real estate sales were elevated due to the incentive to claim capital gains before taxes increased in 2013.

There was a rush in sales at the end of the year, particularly in commercial real estate and high-end residential properties.

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Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through February 2013 preliminary

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Conclusion

- We expect the slow pace of economic recovery to continue in both the U.S. and Washington economies
- Washington is still likely to outperform the nation, but by a small margin
- Threats to economic recovery remain the same: the European debt crisis and recession, slowing Asian economies and uncertainty around federal budget and tax issues
- The next revenue collection update will be published on March 11th and our new revenue forecast will be presented on March 20th

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Questions



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U.S. Forecast Comparison					Fiscal Years	
	2012	2013	2014	2015	2016	2017
Real GDP						
Billions of 2005 dollars						
February Preliminary Forecast	13,451	13,705	14,036	14,446	14,892	15,310
<i>Growth</i>	2.0%	1.9%	2.4%	2.9%	3.1%	2.8%
November Forecast	13,451	13,708	14,040	14,470	14,903	15,328
<i>Growth</i>	2.0%	1.9%	2.4%	3.1%	3.0%	2.9%
Difference in level	0	-3	-4	-24	-11	-18
<i>Difference in growth forecast</i>	0.0%	0.0%	0.0%	-0.1%	0.1%	0.0%
Real Consumption						
Billions of 2005 dollars						
February Preliminary Forecast	9,515	9,688	9,907	10,173	10,448	10,724
<i>Growth</i>	2.0%	1.8%	2.3%	2.7%	2.7%	2.6%
November Forecast	9,515	9,698	9,919	10,190	10,463	10,741
<i>Growth</i>	2.0%	1.9%	2.3%	2.7%	2.7%	2.7%
Difference in level	0	-10	-12	-17	-16	-18
<i>Difference in growth forecast</i>	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Implicit Price Deflator						
Index 2005 = 100						
February Preliminary Forecast	114.9	116.4	118.1	120.0	121.8	123.6
<i>Growth</i>	2.3%	1.3%	1.5%	1.6%	1.5%	1.4%
November Forecast	114.9	116.6	118.3	120.3	122.4	124.4
<i>Growth</i>	2.3%	1.5%	1.5%	1.7%	1.7%	1.7%
Difference in level	0.0	-0.2	-0.2	-0.3	-0.5	-0.8
<i>Difference in growth forecast</i>	0.0%	-0.1%	0.0%	-0.1%	-0.2%	-0.2%
Unemployment Rate						
Percent of Labor Force						
February Preliminary Forecast	8.5%	7.9%	7.5%	7.0%	6.4%	6.1%
November Forecast	8.5%	7.9%	7.5%	7.0%	6.5%	6.1%
<i>Difference in forecast</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 Year Fixed Mortgage Rate						
Annual Average						
February Preliminary Forecast	4.0%	3.5%	3.6%	4.3%	5.2%	6.1%
November Forecast	4.0%	3.5%	3.6%	4.7%	5.7%	6.5%
<i>Difference in forecast</i>	0.0%	0.0%	0.0%	-0.3%	-0.5%	-0.4%
3 Month T-Bill Rate						
Annual Average						
February Preliminary Forecast	0.0%	0.1%	0.1%	0.1%	0.7%	2.7%
November Forecast	0.0%	0.1%	0.1%	0.2%	1.7%	3.4%
<i>Difference in forecast</i>	0.0%	0.0%	0.0%	-0.1%	-1.0%	-0.8%

Washington Forecast Comparison

Fiscal Years

	2012	2013	2014	2015	2016	2017
Real Personal Income						
Billions of 2005 dollars						
February Preliminary Forecast	266.7	272.8	280.4	290.6	300.9	311.4
<i>Growth</i>	2.7%	2.3%	2.8%	3.6%	3.6%	3.5%
November Forecast	266.8	274.0	283.6	293.8	303.8	313.3
<i>Growth</i>	2.8%	2.7%	3.5%	3.6%	3.4%	3.1%
Difference in level	-0.1	-1.2	-3.2	-3.2	-2.9	-1.9
<i>Difference in growth forecast</i>	0.0%	-0.4%	-0.7%	0.0%	0.2%	0.4%
Nominal Personal Income						
Billions of dollars						
February Preliminary Forecast	306.4	317.6	331.2	348.8	366.6	384.9
<i>Growth</i>	5.1%	3.6%	4.3%	5.3%	5.1%	5.0%
November Forecast	306.6	319.5	335.5	353.6	371.8	389.8
<i>Growth</i>	5.2%	4.2%	5.0%	5.4%	5.1%	4.8%
Difference in level	-0.1	-1.9	-4.2	-4.8	-5.1	-4.9
<i>Difference in growth forecast</i>	0.0%	-0.6%	-0.7%	-0.1%	0.0%	0.1%
Nonfarm Payroll Employment, End of Period						
Thousands						
February Preliminary Forecast	2,846.1	2,899.8	2,952.7	3,012.0	3,073.9	3,125.8
<i>Growth</i>	1.5%	1.9%	1.8%	2.0%	2.1%	1.7%
November Forecast	2,846.3	2,906.3	2,965.0	3,027.1	3,085.8	3,136.3
<i>Growth</i>	1.6%	2.1%	2.0%	2.1%	1.9%	1.6%
Difference in level	-0.2	-6.5	-12.2	-15.1	-11.9	-10.6
<i>Difference in growth forecast</i>	-0.1%	-0.2%	-0.2%	-0.1%	0.1%	0.0%
Housing Permits						
Units Authorized, Thousands						
February Preliminary Forecast	23.9	30.7	33.2	37.2	41.2	42.1
<i>Growth</i>	15.2%	28.6%	8.1%	11.9%	10.7%	2.3%
November Forecast	24.3	28.7	30.2	34.2	37.7	39.1
<i>Growth</i>	16.0%	17.9%	5.4%	13.1%	10.2%	3.8%
Difference in level	-0.5	2.0	3.0	3.0	3.5	3.0
<i>Difference in growth forecast</i>	-0.8%	10.7%	2.8%	-1.2%	0.6%	-1.5%

Year-Over-Year Employment Growth by Industry (January 2012 to January 2013) Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	61.3	2.2%	1.6%
Aerospace Product and Parts Manufacturing	6.2	6.8%	NA
Construction	8.1	6.0%	2.1%
Retail Trade	10.0	3.2%	1.5%
Professional and Business Services	10.0	2.9%	2.7%
Manufacturing Excluding Aerospace	5.0	2.7%	NA
Transportation, Warehousing and Utilities	2.3	2.5%	2.6%
Leisure and Hospitality	5.8	2.1%	2.7%
Financial Activities	2.9	2.1%	1.4%
Other Services	2.1	1.9%	1.2%
Wholesale Trade	2.2	1.8%	1.9%
Education and Health Services	5.2	1.4%	2.1%
State and Local Gov Education	3.1	1.3%	0.0%
Software Publishers	0.6	1.1%	NA
Information Excluding Software	-0.3	-0.6%	NA
State and Local Gov Non-Education	-2.3	-1.1%	-0.3%
Mining and Logging	-0.1	-1.4%	2.5%
Information	0.3	0.3%	0.8%
Manufacturing	11.2	4.1%	0.9%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics

**County Taxable Retail Sales
Quarter 3, 2011 to Quarter 3, 2012
(Dollars in Thousands)**

Rank	County	3rd Quarter, 2011	3rd Quarter, 2012	Percent Change	Taxbase Distribution
1	Whitman	145,456	204,797	40.8%	0.7%
2	Ferry	16,555	19,093	15.3%	0.1%
3	San Juan	113,902	123,782	8.7%	0.4%
4	Whatcom	797,713	860,868	7.9%	3.0%
5	Snohomish	2,532,505	2,724,563	7.6%	9.5%
6	Stevens	97,650	104,995	7.5%	0.4%
7	King	10,535,486	11,296,472	7.2%	39.2%
8	Clark	1,103,430	1,178,643	6.8%	4.1%
9	Pierce	2,709,529	2,878,289	6.2%	10.0%
10	Yakima	736,747	778,800	5.7%	2.7%
	Statewide	27,312,150	28,788,887	5.4%	100.0%
11	Walla Walla	182,320	192,063	5.3%	0.7%
12	Skagit	569,222	598,555	5.2%	2.1%
13	Kittitas	179,128	186,551	4.1%	0.6%
14	Kitsap	784,535	815,216	3.9%	2.8%
15	Okanogan	142,768	148,138	3.8%	0.5%
16	Thurston	952,237	987,963	3.8%	3.4%
17	Spokane	1,823,420	1,887,055	3.5%	6.6%
18	Cowlitz	316,059	325,551	3.0%	1.1%
19	Douglas	143,489	147,603	2.9%	0.5%
20	Franklin	264,289	271,712	2.8%	0.9%
21	Pacific	59,584	60,962	2.3%	0.2%
22	Asotin	65,587	66,773	1.8%	0.2%
23	Mason	135,200	137,251	1.5%	0.5%
24	Chelan	369,803	374,477	1.3%	1.3%
25	Jefferson	96,185	96,274	0.1%	0.3%
26	Benton	754,695	754,148	-0.1%	2.6%
27	Klickitat	60,211	59,989	-0.4%	0.2%
28	Island	189,166	187,072	-1.1%	0.6%
29	Clallam	256,720	252,680	-1.6%	0.9%
30	Adams	66,649	64,780	-2.8%	0.2%
31	Wahkiakum	9,030	8,744	-3.2%	0.0%
32	Grant	408,115	389,704	-4.5%	1.4%
33	Lincoln	33,986	31,875	-6.2%	0.1%
34	Lewis	276,352	259,085	-6.2%	0.9%
35	Columbia	14,926	13,802	-7.5%	0.0%
36	Pend Oreille	36,616	33,045	-9.8%	0.1%
37	Skamania	33,352	29,577	-11.3%	0.1%
38	Grays Harbor	261,069	224,782	-13.9%	0.8%
39	Garfield	38,464	13,158	-65.8%	0.0%

King/Snohomish/Pierce	15,777,520	16,899,324	7.1%	58.7%
Remainder of State	11,534,630	11,889,563	3.1%	41.3%